

HOUSE BILL REPORT

HB 2308

As Reported by House Committee On:
Community & Economic Development & Trade

Title: An act relating to aerospace competitiveness..

Brief Description: Relating to aerospace competitiveness.

Sponsors: Representatives Morris, Smith and Warnick.

Brief History:

Committee Activity:

Community & Economic Development & Trade: 4/13/09 [DPS].

Brief Summary of Substitute Bill

- Creates the Washington Council on Aerospace (Council) in the Office of the Governor, with 13 public and private sector members.
- Requires the Council to advise the Governor and Legislature on public policies that will strengthen the industry, support in-state job growth, and integrate training and education with research and development.
- Sets out the Council's purposes, responsibilities, meeting, and reporting requirements.
- Creates an account in the custody of the State Treasurer.

HOUSE COMMITTEE ON COMMUNITY & ECONOMIC DEVELOPMENT & TRADE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Kenney, Chair; Maxwell, Vice Chair; Smith, Ranking Minority Member; Chase, Liias, Probst and Sullivan.

Minority Report: Do not pass. Signed by 2 members: Representatives Orcutt and Parker.

Staff: Meg Van Schoorl (786-7105)

Background:

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Aerospace is Washington's largest manufacturing industry. Its primary focus is aircraft and parts manufacturing. According to *The Washington Aerospace Industry*, a 2006 report by Conway Pederson Economics, Inc., in 2005 the state's aerospace industry directly employed over 65,000 people and paid \$5.4 billion in total wages and salaries, for an average annual per capita wage of \$83,370. Aerospace companies were present in 17 out of the 39 counties, although most predominately in King and Snohomish Counties. According to the Department of Community, Trade and Economic Development's (DCTED) March 2009 *Quarterly Trade Bulletin*, aerospace goods exports of \$33 billion were the single largest component of Washington's export portfolio in 2008. This was a 19 percent drop from a peak of \$41.8 billion in 2007. For 2008 China and Japan were the number one and two markets for aerospace goods from Washington.

Summary of Substitute Bill:

The Legislature recognizes the significance of the aerospace industry to the state's economy and the state's national leadership in aerospace-related education, training, research and development, but also finds that these programs could be better integrated, coordinated, and distributed statewide through the community and technical colleges and research universities.

The Washington Council on Aerospace (Council) is created in the Office of the Governor. The Council will have 13 members. Its nine public sector members are: the Director of the DCTED (or successor agency) who will chair the Council; the Executive Director of the State Board for Community and Technical Colleges (SBCTC); the Executive Director of the Higher Education Coordinating Board (HECB); the Presidents of the University of Washington and Washington State University; and four legislators (one from each caucus of each chamber.) Its four private sector members, each appointed by the Governor to four-year terms, will represent: a labor organization of machinists; a labor organization of aerospace engineers; the state's largest aerospace manufacturer; and an aerospace employer.

The Council's purpose is to: improve coordination and responsiveness of aerospace-related training, education, and research and development to meet industry needs; enhance the economic climate for the aerospace industry; and ensure Washington's continued leadership in aircraft design, manufacturing, and job creation. The Council must provide advice to the Governor and the Legislature on public policies that will strengthen the aerospace industry and support its job growth in-state. The Council members must take joint action to integrate training and education with research and development. With the full Council oversight, the SBCTC Executive Director must ensure coordination of aerospace training and apprenticeship programs; the HECB Executive Director must ensure provision and coordination of four-year degrees of interest to the industry; the state research universities' Presidents must coordinate all aerospace-related research and development activities; and the DCTED Director must carry out aerospace-related retention, expansion, and attraction activities.

The Council is to meet with the Governor at least twice yearly and to submit annual status reports to the Governor and the Legislature beginning on January 1, 2010. The Council or organizations represented by its members are to apply for public and private funds for

relevant activities, and to deposit funds received into a newly-created Washington Aerospace Council Account (Account) in the custody of the State Treasurer. The Governor or the Council chair are the only people who can authorize the Account expenditures. For 2009-2011, increased training, education, or research and development activities will be supported by federal Workforce Investment Act Funds and other discretionary funds administered by the Governor.

Substitute Bill Compared to Original Bill:

The Washington Council on Aerospace is created in the Office of the Governor. The Council will have 13 specified members representing the public and private sectors. Council purposes, responsibilities, meetings, and report requirements are provided. An Aerospace Council Account is created in the custody of the State Treasurer for deposit of public and private funds. Financial support for fiscal years 2009, 2010, and 2011 will be sourced from Governor's discretionary funds.

Appropriation: None.

Fiscal Note: Requested April 10, 2009.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Staff Summary of Public Testimony:

(In support) Aerospace is a backbone of the state economy. The Deloitte study gives the state mixed reviews in terms of competitive advantages and disadvantages. Wage rates are high because Washington has highly-skilled workers. High wages also create a high multiplier effect. The state does not want to be in a "race to the bottom." Creating this Council will give stakeholders a chance to work together, as they did successfully in getting a review of the tanker bid decision in 2007. The study also highlights some issues that state government can affect and some which it cannot. There are excellent research and development, and cutting-edge training and education programs in Washington. Washington can be ahead of other states by integrating research and development activities with education and training. What was accomplished in 2003 to win the Dreamliner project became the blueprint for other states in their aerospace recruitment efforts. One of the disappointments from 2003 was in not attracting more suppliers to this state. The Council will create a one-stop shop for recruiting and retaining aerospace-related businesses including suppliers.

(With concerns) The Deloitte study confirms that Washington is at a competitive disadvantage to other states and nations in terms of the costs of living and doing business here. These issues are directly relevant to industries outside of aerospace. In the 13 remaining days of session, the first step should be to do no harm for the short term, including the unemployment insurance and worker's compensation bills that are still in play. The long-term framework of this bill is not the highest priority.

(Opposed) None.

Persons Testifying: (In support) Representative Morris, prime sponsor; Governor Gregoire, Office of the Governor; Representative Kenney; Rogers Weed, Department of Community, Trade and Economic Development; Larry Brown, International Association of Machinists; Bob Drewel, Puget Sound Regional Council; and Taylor Washburn, Greater Seattle Chamber of Commerce.

(With concerns) Trent House, Boeing Corporation; Gary Chandler, Association of Washington Business; and Nancy Hiteshue, Washington Roundtable.

Persons Signed In To Testify But Not Testifying: None.